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EAST JEFFERSON COMMUNITY HEALTH CENTER, INC.

Independent Auditor's Report and Financial Statements
For the Year Ended December 31, 2004

Deemer CPA and Consulting Services, LLC

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-16-06

East Jefferson Community Health Center, Inc.

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Independent Auditor's Report

**To the Board of Directors
East Jefferson Community Health Center, Inc.**

I was engaged to audit the accompanying statement of financial position of East Jefferson Community Health Center, Inc. (the Health Center, a nonprofit organization) as of December 31, 2004, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Health Center's management.

The accounting and reporting process for patient revenue, grant revenue, payroll, cash disbursements, fixed assets, prepaid expenses, accounts/grants receivables and accounts payable were ineffective during the year ended December 31, 2004.

Additionally, the management of East Jefferson Community Health Center, Inc. was unable to provide supporting documentation for most of the previously mentioned financial statement accounts. There was an excessive use of journal entries which were recorded without explanation. As a result, the accuracy and appropriateness of the transactions and balances contained within these accounts was indeterminable. Management would not provide written representations regarding the financial statements.

The East Jefferson Community Health Center's management also did not present a statement of cash flows in accordance with generally accepted accounting principles. This statement would provide details of the financial position of the organization, results of operations, and cash flows at December 31, 2004.

Due to the significance of the matters described above, and since the scope of work was not sufficient, I am unable to express and I do not express, an opinion on the financial statements of the East Jefferson Community Health Center, Inc.

In accordance with Government Auditing Standards, I have also issued my report dated June 20, 2005 on my consideration of East Jefferson Community Health Center, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contract, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report, which explains that I did not audit the accompanying financial statements.

Seemer CPA and Consulting Services, LLC

New Orleans, Louisiana
June 20, 2005

East Jefferson Community Health Center, Inc.
Statement of Financial Position
As of December 31, 2004

<u>Assets</u>	
Cash & Cash Equivalents	\$ (210,980)
Accounts Receivable	77,441
Prepaid Expenses	72,439
Fixed Assets, net of accumulated depreciation	<u>1,014,727</u>
Total Assets	<u>\$ 953,627</u>
<u>Liabilities and Net Assets</u>	
Accounts Payable and accrued expenses	\$ 796,800
Unearned Revenue	232,500
Payroll Taxes payable	100,633
Line Of Credit	<u>29,500</u>
Total Liabilities	\$ 1,159,433
<u>Net Assets</u>	
Restricted	\$ 422,145
Unrestricted	<u>(627,951)</u>
Total Net Assets	<u>(205,806)</u>
Total Liabilities and Net Assets	<u>\$ 953,627</u>

The accompanying notes are an integral part of these financial statements

East Jefferson Community Health Center, Inc.
Statement of Activities
For Year Ended December 31, 2004

	<u>Unrestricted</u>
Revenues, Gains, and Other Support	
Grant Income	\$ (33,518)
Medical Service Income	417,470
Interest Income	82
Total Revenues, Gains, and Other Support	\$ 384,034
Program Services	
Program Expenses	747,424
Support Services	
General & Administrative	42,337
Total Expenses	\$ 789,761
Change In Net Assets	(405,727)
Net Assets At Beginning Of Year	199,921
Net Assets At End Of Year	\$ (205,806)

The accompanying notes are an integral part of these financial statements.

East Jefferson Community Health Center, Inc.
Notes to the Financial Statements
For the year ended December 31, 2004

1. Summary of Significant Accounting Policies

General

East Jefferson Community Health Center, Inc. is a nonprofit corporation that provides primary health care services to many underserved residents of Jefferson Parish. The Federally Qualified Health Clinic (FQHC) is located at 11312 Jefferson Highway, in River Ridge, Louisiana and provides healthcare, dental and WIC services.

Basis of Accounting

The accounts of East Jefferson Community Health Center were represented as maintained in accordance with fund accounting principles to ensure that both resources and disbursements are classified according to the activities and objectives specified.

The net assets and changes therein of East Jefferson Community Health Center are as follows:

- Unrestricted Net Assets – Net Assets not subject to donor-imposed restrictions.
- Temporarily restricted Net Assets – Net assets subject to donor-imposed restrictions that may be met either by an action and/or through the passage of time.
- Permanently restricted Net Assets – Net Assets subject to donor-imposed restrictions that will not expire through the passage of time and/or an action.

Federal Income Tax

East Jefferson Community Health Center, Inc. is exempt from Federal income tax under the Internal Revenue Code Section 501(c)(3).

Allowance for Doubtful Accounts

The health clinic requires payment for services at the time of the patients' visit or a third-party reimbursement is requested. A receivable is recorded for any unpaid patient fees or

Summary of Significant Accounting Policies (continued)

for any amounts billed to third parties. Receivable amounts that are deemed uncollectible are estimated by management and written off.

Grants Receivable

Grant receipts are recognized when the granting agency makes a promise to give funds to the health center. Grants with stated conditions are recorded when the conditions are substantially met by the health center.

Land, Building and Equipment

Improvements which significantly extend the useful life of an asset and purchases of land, buildings and equipment are capitalized at cost. The straight line method of depreciation is used for the assets owned by the East Jefferson Community Health Center, Inc. Gifted long-lived assets are reported at their estimated fair market value and as unrestricted, in the absence of donor-imposed restrictions on the use of assets.

Cash and Cash Equivalents

Cash is comprised of cash on hand and in banks.

Use of Estimates

The financial statements of East Jefferson Community Health Center, Inc. are prepared in conformity with generally accepted accounting principles which include estimates made by management. Accordingly, actual results may differ from those estimates.

Economic Dependency

In prior years, The East Jefferson Community Health Center, Inc. received the majority of its funding from grants and contracts with federal, state, and local agencies. Any significant budget cuts or reduction in grants, contracts, and/or donations could have a significant impact on the operations of the organization.

2. Operating Leases

East Jefferson Community Health Center, Inc. had two lease agreements during the fiscal year under audit. Rent was \$650 each month for Suite 1 in the Rivertown Square Shopping Center, and \$500 per month for Suite 11 at the same location. Both leases expired during the audit period and were not renewed.

3. Contingencies

Several civil suits have been brought against the East Jefferson Community Health Center, Inc. by creditors and former employees alleging nonpayment of invoices and certain benefits. The financial statements have not been adjusted for the potential impact of these impending lawsuits.

Additionally, in May 1995, the health center was awarded a grant from the Jefferson Parish Council, in the amount of \$452,000 from the Community Development Block Grant fund. The terms of the grant provide for request of repayment under certain circumstances, which include change of ownership of the organization from a non-profit to a for-profit organization and/or changes in the use of its' assets procured with the grant funds. The terms remain in effect until the year of 2015.

4. Failure to Complete Medicare Cost Reports

As of the date of this report, the East Jefferson Community Health Center, Inc. has not completed the required Medicare cost reports for the fiscal year ended June 30, 2004. The Medicare and Medicaid funding to the health center has been interrupted pending the filing of the cost report.

East Jefferson Community Health Center, Inc.
Schedule of Functional Expenses
For the Year Ended December 31, 2004

	<u>Program Services</u>	<u>Support Services Management And Administrative</u>	<u>Total</u>
Salaries	\$ 474,154		\$ 474,154
Payroll taxes	38,840		38,840
Travel and Transportation	10,122		10,122
Medical Supplies	47,825		47,825
Postage and Printing	2,882		2,882
Relocation Expense			0
Telephone	18,376		18,376
Labs Medical/Dental	24,255		24,255
Computer Maintenance	1,851		1,851
Utilities	20,311		20,311
Construction Expense	2,400		2,400
Office Expense	15,191		15,191
Insurance	18,596	18,418	37,014
Repairs & Maintenance	1,652		1,652
Computer Expense	6,543		6,543
Medical Records	2,356		2,356
Contracted Services	34,446		34,446
Janitorial Services	4,283		4,283
Advertising		3,861	3,861
Lawn Maintenance		6,200	6,200
Dues & Subscriptions	4,658		4,658
Interest		240	240
Board Member Exp		7,958	7,958
Billing System Support	1,426		1,426
Depreciation		3,179	3,179
Alarm System		798	798
Miscellaneous	17,257		17,257
Bank Charges		1,683	1,683
Total Expenses	\$ 747,424	\$ 42,337	\$ 789,761

See The Independent Auditor's Report.

**Report on Compliance and on Internal
Control Over Financial Reporting Based on an Audit of
Financial Statements Performed in
Accordance with Government Auditing Standards**

**To the Board of Directors
East Jefferson Community Health Center, Inc.**

I was engaged to audit the financial statements of the East Jefferson Community Health Center, Inc. as of and for the year ended December 31, 2004, and have issued my report thereon dated June 20, 2005. I did not express an opinion on the financial statements, because of the significant inadequacies in the internal controls of the organization, the lack of detailed information and supporting documentation available regarding various account balances. I was not able to apply other auditing procedures to satisfy myself in these areas.

Compliance

As part of obtaining reasonable assurance about whether the East Jefferson Community Health Center, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 04.2, 04.10, and 04.11.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the East Jefferson Community Health Center, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in internal control over financial

reporting that in my judgment could adversely affect East Jefferson Community Health Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04.1 through 04.14.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. I believe that all of the reportable conditions mentioned previously are also considered to be material weaknesses.

This report is intended solely for the information of the East Jefferson Community Health Center, Inc.'s management, grant awarding agencies, and the State of Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Seemer CPA and Consulting Services, LLC
New Orleans, Louisiana
June 20, 2005

East Jefferson Community Health Center, Inc.
Schedule of Findings and Questioned Costs
For the year ended December 31, 2004

04.1 Staff Turnover

Criteria:

Internal Controls and sound business practices require consistent and adequate staff for overall business operations.

Condition:

The accounting department has had three different Chief Financial Officers and three different Executive Directors in recent years. In addition, there were several persons placed temporarily in those seats when they became vacant.

Cause:

The cause for turnover in these positions was indeterminable.

Effect:

Without adequate and consistent personnel in these positions, errors, irregularities, and non-compliance with laws and regulations could exist and not be detected.

Recommendation:

The East Jefferson Community Health Center, Inc. should seek to employ and maintain a Chief Financial Officer and Executive Director to adequately staff their clinic operations.

Management's Response:

Management did not provide prior to the issuance date of this report.

04.2 Incomplete, Untimely, and Un-reconciled Financial Statements

Criteria:

Financial statements should be completed and reconciled on a monthly basis. Additionally, at the end of each fiscal year, the statements should be reviewed for required year-end adjustments and/or reclassifications.

Condition:

Bank accounts remain un-reconciled for the year ended December 31, 2004 and the financial statements of the clinic appear to be incomplete and inaccurate.

Cause:

An appropriate level of supervision related to accounting was not provided by the East Jefferson Community Health Center's business office.

Effect:

Without complete, reconciled financial statements maintained in a timely manner, the financial condition of an organization is indeterminable. Additionally, there is a substantial risk that omissions, errors, and/or irregularities can exist and not be detected.

Recommendation:

It is recommended that the East Jefferson Community Health Center, Inc. employ an adequate accounting staff who will be required to submit complete and reconciled financial statements on a monthly basis to both upper level management and the Board of Directors.

Management's Response:

Management did not provide prior to the issuance date of this report.

04.3 Inappropriate Use of Journal Entries

Criteria:

A system of sound internal controls would include a review and approval of all proposed journal entries by the organizations' accountant. The number of journal entries should be limited, since most transactions are developed through normal cash receipts and check disbursements.

Condition:

During my attempt to audit the financial statements of the clinic, I noted an excessive number of journal entries. Additionally, the journal entries were made without an explanation appearing in the general ledger. There were no journal entry forms maintained on file which may have indicated the reason for each adjustment.

Cause:

The overall lack of controls relative to the accounting process, as well as the repetitive turnover of Chief Financial Officers contributed to this condition.

Effect:

The lack of adequate controls over the posting of journal entries, may cause errors, irregularities, and/or duplications that may exist and not be detected timely.

Recommendation:

Journal entries should be kept to a minimum and should not be posted without prior review and approval from an accounting supervisor. Journal entry forms should be maintained to fully explain the reason for the entry and to show proper review and approval prior to posting.

Management's Response:

Management did not provide prior to the issuance date of this report.

04.4 Fixed Assets Schedule Not Maintained

Criteria:

The Louisiana State Revised Statute 24:515(b) requires that all governments “shall maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets which were purchased or otherwise acquired, and for which such entity is accountable.”

Condition:

A fixed asset detail was requested to account for the change in fixed assets from the prior fiscal year. A schedule was provided, however, it had not been updated since 2002.

Effect:

The lack of adequate internal controls over fixed assets and accounting in general, compromises the safeguarding of assets. Additionally, the fixed asset amount included in the financial statements could not be fully tested.

Recommendation:

Adequate policies and procedures relating to fixed assets should be adopted and fully implemented in the business office of the clinic.

Management’s Response:

Management did not provide prior to the issuance date of this report.

04.5 Computer Laptops Not Located

Criteria:

The Louisiana State Revised Statute 24:515(b) requires that all governments "shall maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets which were purchased or otherwise acquired, and for which such entity is accountable."

Condition:

The clinic purchased seven laptops in 2003 to be utilized by personnel members. At the time of audit, the clinic could only locate two of the seven laptops.

Cause:

There is an overall lack of accountability for assets at the East Jefferson Community Health Center, Inc.

Effect:

The assets of the health clinic cannot be located.

Recommendation:

The health clinic should develop and implement policies and procedures that will safeguard the assets of the organization.

Management's Response:

Management did not provide prior to the issuance date of this report.

04.6 No Operations and/or Accounting Manuals

Criteria:

Adequate internal controls relating to personnel actions and general operations require a current reference point for employees to ensure their adherence to best practices and the organizations' policies.

Condition:

The organization did not have any written operations and/or accounting manuals on file for the year ended December 31, 2004.

Cause:

It was indeterminable as to why there were no manuals or written policies and procedures.

Effect:

There was an overall lack of knowledge, or adherence to certain policies and procedures that would have allowed for "best practices" to occur at the health clinic. As such, certain assets are missing and accounting records are deficient.

Recommendation:

Operating and Accounting Manuals must be developed and maintained. They should be provided to staff as a reference point that is deemed important to day to day operations of the organization.

Management's Response:

Management did not provide prior to the issuance date of this report.

04.7 No Record of Funds Used from A Certificate of Deposit

Criteria:

State audit law requires that a specific audit trail be maintained regarding the expending of government funds.

Condition:

There was an \$11,000 certificate of deposit maintained at a local bank, however, the certificate of deposit was cashed and information regarding the spending of those funds was not provided.

Cause:

There is an overall lack of internal controls at the East Jefferson Community Health Center, Inc.

Effect:

The lack of adequate internal controls related to the disbursement of funds could result in errors, irregularities, and misappropriation of assets.

Recommendation:

Funds should not be made available and/or spent at the East Jefferson Community Health Center, Inc. until they have gone through a documented approval process with checks and balances in place.

Management's Response:

Management did not provide prior to the issuance date of this report.

04.8 Credit Card Records Unavailable

Criteria:

The proper adoption and implementation of internal controls will ensure accountability with regards to the disbursement of funds and subsequent reporting of those transactions in an organization. A credit card can secure purchases without any prior request or approval of clinic officials.

Condition:

There were several payments made to credit card companies without a detail of the items purchased and/or the persons responsible for the purchases. Credit card statements were not made available during my attempt to audit the financial statements of the clinic.

Cause:

The use of a credit card does not allow for proper approval of expenditures and makes it difficult to maintain appropriate documentation on file related to expenditures.

Effect:

The lack of adequate controls related to cash disbursements may have resulted in unauthorized purchases.

Recommendation:

It is recommended that all credit card accounts be closed and the East Jefferson Community Health Center, Inc. utilize a purchase requisition and/or purchase order system.

Management's Response:

Management did not provide prior to the issuance date of this report.

04.9 Inadequately Documented Employee Earnings

Criteria:

Internal controls related to payroll and human resources, requires an employee file to include the duties, position, and salary amount for each employee.

Condition:

Payments were made to the daughters of a prior Board member who informed State officials that they did not work for the health clinic.

Cause:

There was a lack of internal controls relating to payroll and cash disbursements at the East Jefferson Community Health Center, Inc.

Effect:

The lack of adequate internal control implementation significantly increases the risk that material errors and irregularities could exist and not be detected.

Recommendation:

Internal control implementation must be improved in the business offices of the health clinic.

Management's Response:

Management did not provide prior to the issuance date of this report.

04.10 No Supporting Documentation on Various Expenditures

Criteria:

An organization should maintain records in such a manner that an "audit trail" is available on all transactions.

Condition:

During my attempt to audit the financial statements of the East Jefferson Community Health Center, Inc., several requests were made for canceled checks and/or copies of negotiated checks with bank statements, complete contract files, complete invoices files, bid files, etc. The information provided was grossly inadequate and in most cases simply not provided.

Cause:

Insufficient maintenance of supporting documentation is the result of a lack of internal controls relating to cash disbursements.

Effect:

Cash disbursements have been made and there may be errors, and/or irregularities that exist but may not be detected due to the lack of documentation maintained at the clinic.

Recommendation:

Supporting documentation should be maintained on file for all cash disbursements. This information should be readily available for review.

Management's Response:

Management did not provide prior to the issuance date of this report.

04.11 Delinquent Audit Report Submission

Criteria:

According to Louisiana Revised Statute 24:513A.(5)(a), ".....audits shall be completed within six months of the close of the entity's fiscal year."

Condition:

The audit of the financial statements of the East Jefferson Community Health Center, Inc. was not completed within six months of the close of the entity's fiscal year.

Cause:

The audit was not engaged timely.

Effect:

The organization's inability to provide audited financial statements within the required timeframe may result in further review by the State Legislative Auditor and/or other funding sources.

Recommendation:

The East Jefferson Community Health Center, Inc. should engage an auditor in a timely manner and make available all required documentation for audit.

Management's Response:

Management did not provide prior to the issuance date of this report.

04.12 Duplicate Travel Reimbursements

Criteria:

The same expenditures should not be paid and/or reimbursed twice by an organization.

Condition:

There were certain travel costs associated with a national health conference, that were reimbursed to both the Executive Director of the East Jefferson Community Health Center, Inc. and two of its' Board members.

Cause:

Certain expenses were requested for reimbursement by both the Executive Director and two Board members of the agency. Also, the overall lack of internal controls at the organization allowed for the duplication of these expenditure requests.

Effect:

The organization paid for the same travel costs twice.

Recommendation:

East Jefferson Community Health Center, Inc. must adopt and implement internal controls that will prevent and/or detect the duplication of expenditures and reimbursements.

Management's Response:

Management did not provide prior to the issuance date of this report.

04.13 No Deposit Records for Certain Revenues

Criteria:

Revenues received should be deposited in bank accounts with record of each deposit and the source of funds.

Condition:

A local medical center forwarded funds to the East Jefferson Community Health Center, Inc. to operate a clinic in Avondale, Louisiana. Clinic personnel could not provide record of where the funds were deposited, nor where the funds were spent. The accounting records do not detail funds received and/or spent at this particular clinic either.

Cause:

There is an overall lack of internal controls maintained at the East Jefferson Community Health Center, Inc.

Effect:

Funds were received and spent without supporting documentation to provide an audit trail of those monies.

Recommendation:

There should be internal controls adopted and implemented that would safeguard the assets of the East Jefferson Community Health Center, Inc. These controls should also promote receipt and maintenance of supporting documentation of all expenditures.

Management's Response:

Management did not provide prior to the issuance date of this report.

04.14 Unpaid Payroll Taxes

Criteria:

Payroll taxes must be remitted timely and in accordance with federal rules and regulations.

Condition:

There is an outstanding payroll liability with both the Federal government and the State of Louisiana. The amount was indeterminable by the agency's staff, however they do acknowledge that the taxes were not being paid at certain times.

Cause:

The East Jefferson Community Health Center, Inc. has experienced an interruption in receipt of certain federal, state, and local funding. Many expenses incurred have gone unpaid.

Effect:

There could be future sanctions taken by both the federal and state government regarding the nonpayment of payroll taxes.

Recommendation:

It is recommended that the East Jefferson Community Health Center, Inc. pay all payroll taxes timely and in accordance with federal and state rules and regulations.

Management's Response:

Management did not provide prior to the issuance date of this report.

East Jefferson Community Health Center, Inc.
Update of Prior Year Findings & Questioned Costs
For the year ended December 31, 2004

	Resolved	Unresolved
02-01 Lack of Written Accounting Policies and Procedures		X
02-02 Inadequate Third-Party Billings		X
02-03 Billing and Collection of Patient Service Revenue		X
02-04 Lack of Documentation to Support Bank Deposits		X
02-05 Maintenance of Records to Document Expenditures		X
02-06 Property, Plant and Equipment Inventory		X
02-07 Failure to File Medicare Cost Report		X
02-08 Paid Time Off		X
02-09 Compensatory Time		X
02-10 Payroll Records		X
02-11 Maintenance of Required Federal Reports		X
02-12 Grant Documents Incomplete		X